

# Market Outlook

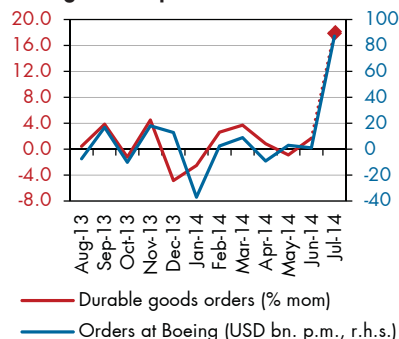
## Bond markets

weekly

22 August 2014

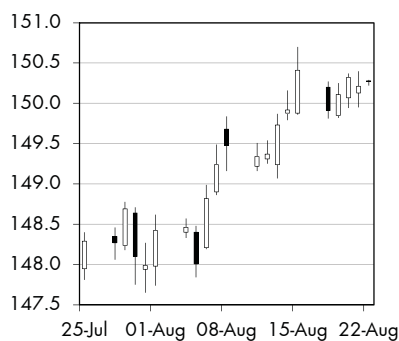


### Boeing sets the pace

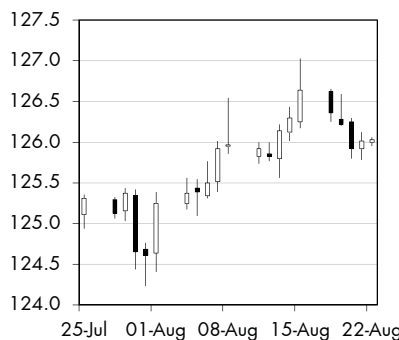


Source: Boeing, Thomson Reuters, Raiffeisen RESEARCH

### Bund Future



5y high: 150.41; 5y low 119.90  
Source: Bloomberg



5y high: 135.66; 5y low: 115.00  
Source: Bloomberg

### Forecasts

USA	curr. <sup>1</sup>	Sep-14	Jun-15	Rec.*
Key rate	0.25	0.25	1.00	n.a.
Libor 3M	0.23	0.30	1.20	n.a.
Yield 2Y	0.47	0.60	1.60	Sell
Yield 10Y	2.40	2.90	3.70	Sell
<b>Eurozone</b>				
Key rate	0.15	0.15	0.15	n.a.
Euribor 3M	0.19	0.20	0.30	n.a.
Yield 2Y	0.01	0.10	0.40	Hold
Yield 10Y	0.99	1.50	2.20	Sell
Swapsrate 5Y	0.55	0.80	1.60	n.a.

<sup>1</sup> as of 22 August 2014, 09:02 p.m. CET; \*Recommendation for an investment horizon of 1 to 4 months  
Source: Thomson Reuters, Raiffeisen RESEARCH

### USA

With a look towards the next week there are two data releases of special interest: the **second estimate for the development of real gross domestic product in Q2** (Thurs) as well as durable goods orders in July (Tues).

In the first estimate the Bureau of Economic Analysis (BEA) calculated annualized GDP growth of 4.0% qoq from April to June. Since then data for inventory investments and export from May and June, respectively, lead us to expect that the second estimate from the BEA will not likely differ greatly from the originally published growth.

The figures for durable goods orders in July promise to be truly stunning. Aircraft manufacturer Boeing experienced the largest amount of orders by a wide margin in the history of the company last month. In the course of the Farnborough International Airshow in England aircraft orders of around USD 100 bn (according to list prices) were taken. We therefore expect an increase in durable goods orders of around 18% mom while several analysts even expect a plus of 30% mom or more; however, without the volatile transport sector orders are likely to have only risen slightly.

### Key figures

USA			RBI	Kons.	zuletzt
Mon, 25. 15:45	Markit PMI Services, prel.	Aug.	n.a.	59.1	60.8
Mon, 25. 16:00	New home sales (thsd, ann.)	Jul.	n.a.	425	406
Tue, 26. 14:30	Durable goods orders (% mom)	Jul.	18.0	7.5	1.7
Tue, 26. 14:30	- ex. transportation (% mom)	Jul.	0.6	0.4	1.9
Tue, 26. 15:00	FHFA house price index (% mom)	Jun.	n.a.	0.3	0.4
Tue, 26. 15:00	S&P C/S home prices, 20 cities (% mom)	Jun.	n.a.	-0.1	-0.3
Tue, 26. 16:00	Consumer confidence Conf. Board	Aug.	88.0	89.0	90.9
Thu, 28. 14:30	GDP (% qoq, ann., 2nd estimate)	Q2	3.8	3.9	4.0
Thu, 28. 16:00	Pending home sales (% mom)	Jul.	n.a.	0.5	-1.1
Fri, 29. 14:30	Personal income (% mom)	Jul.	0.3	0.3	0.4
Fri, 29. 14:30	Personal spending (% mom)	Jul.	0.1	0.2	0.4
Fri, 29. 14:30	PCE deflator (% yoy)	Jul.	1.6	1.6	1.6
Fri, 29. 14:30	PCE core inflation (% yoy)	Jul.	1.5	1.5	1.5
Fri, 29. 15:45	Chicago PMI	Aug.	n.a.	56.5	52.6
<b>Europe</b>					
Mon, 25. 10:00	DE: ifo business climate	Aug.	106.6	107.0	108.0
Mon, 25. 10:00	DE: ifo current assessment	Aug.	112.5	112.0	112.9
Mon, 25. 10:00	DE: ifo business expectations	Aug.	101.0	102.0	103.4
Mon, 25. 15:00	BE: Business confidence	Aug.	-8.5	-9.0	-7.5
Wed, 27. 08:45	FR: Business confidence	Aug.	96.0	97.0	97.0
Wed, 27. 10:00	IT: Consumer confidence	Aug.	104.0	104.0	104.6
Thu, 28. 09:00	ES: Consumer price index (% yoy), prel.	Aug.	n.a.	-0.5	-0.4
Thu, 28. 09:55	DE: Unemployment rate (%)	Aug.	6.7	6.7	6.7
Thu, 28. 10:00	EA: Money supply M3 (% yoy)	Jul.	1.2	1.5	1.5
Thu, 28. 11:00	EA: Economic confidence	Aug.	101.0	101.6	102.2
Thu, 28. 11:00	EA: Industrial confidence	Aug.	-5.0	-4.4	-3.8
Thu, 28. 14:00	DE: Consumer price index (% yoy), prel.	Aug.	0.8	0.8	0.8
Fri, 29. 11:00	EA: Unemployment rate (%)	Jul.	11.5	11.5	11.5
Fri, 29. 11:00	EA: Consumer price index (% yoy), prel.	Aug.	0.3	0.3	0.4
Fri, 29. 11:00	IT: Consumer price index (% yoy), prel.	Aug.	-0.1	-0.2	0.0

Source: Bloomberg, Raiffeisen RESEARCH

## GDP (real %yoy)

	2013	2014e	2015f
Austria	0.3	0.9	1.5
Germany	0.5	1.8	2.5
France	0.4	0.7	1.8
Belgium	0.2	1.5	2.3
Netherlands	-0.7	0.7	2.1
Finland	-1.2	0.1	1.5
Ireland	0.2	3.0	3.5
Italy	-1.8	0.5*	1.5
Spain	-1.2	1.5	2.0
Portugal	-1.4	0.9	2.0
Greece	-3.9	0.0	2.0
Euro area	-0.4	0.8	1.6
United Kingdom	1.8	3.1	2.6
Switzerland	2.0	2.0	2.0
USA	2.2	2.2	3.2
Japan	1.5	1.4	1.1

\* under revision

Source: Thomson Reuters, Raiffeisen RESEARCH

## Consumer price index (% yoy)

	2013	2014e	2015f
Austria	2.1	1.5	1.8
Germany	1.6	1.0	2.0
France	1.0	1.0	1.3
Belgium	1.2	0.9	1.5
Netherlands	2.6	0.5	1.2
Finland	2.2	1.0	0.7
Ireland	0.5	0.6	1.3
Italy	1.3	0.5	1.0
Spain	1.5	0.3	0.9
Portugal	0.4	-0.1	0.8
Greece	-0.9	-1.5	-0.5
Euro area	1.4	0.7	1.3
United Kingdom	2.6	2.1	2.8
Switzerland	-0.2	0.4	1.1
USA	1.5	1.9	2.2
Japan	0.4	2.6	1.2

Source: Thomson Reuters, Raiffeisen RESEARCH

## Forecasts

	current <sup>1</sup>	Sep-14	Dec-14	Jun-15
<b>CHF</b>				
Libor 3M	0.02	0.0	0.0	0.0
Yield 10Y	0.47	0.8	0.9	1.2
<b>YEN</b>				
Key rate	0.10	0.1	0.1	0.1
Libor 3M	0.13	0.1	0.1	0.2
Yield 10Y	0.51	0.6	0.7	0.8
<b>FX</b>				
EUR/USD	1.33	1.32	1.30	1.27
EUR/JPY	137.8	135	134	137
USD/JPY	103.7	102	103	108
EUR/CHF	1.21	1.22	1.22	1.25
<b>Crude</b>				
Brent (USD)	100.8	110	114	117

<sup>1</sup> as of 22 August 2014, 09:02 p.m. CET

Source: Thomson Reuters, Raiffeisen RESEARCH

**Consumer spending** (Fri) is likely to have only risen nominally by 0.1% mom in July according to weak retail sales figures. On Friday the **Chicago PMI** will be the last important regional sentiment indicator for manufacturing before the release of the ISM Index. The two indicators from New York and Philadelphia developed in August in contradictory directions: the sentiment barometer from the New York region dropped significantly from a high level while its counterpart from the Philadelphia region continued to rise from an already high level. After the Chicago PMI unexpectedly fell sharply in July, expectations here are quite optimistic. We expect **consumer confidence from the Conference Board** (Tues) to have slightly fallen with initial indications being provided by the weekly Bloomberg survey and the drop in the indicator from the University of Michigan. The other relevant data come from the real estate market: **new home sales** (Mon), **FHFA house price index** and **S&P home price index** (both Tues) and **pending home sales** (Thurs).

**Yields on 10y US treasuries** rose slightly week-over-week and are currently around 2.4%. Triggers for this latest movement were more positive US economic data (housing starts, initial jobless claims, Markit manufacturing PMI, Philadelphia Fed Index) that all proved that the US economy is currently running smoothly as well as the latest meeting minutes from the previous FOMC meeting from the end of July. According to the minutes, several members of the monetary policy committee, as we supposed, are starting to change their mood. According to the protocol, "many participants noted that if convergence toward the Committee's objectives occurred more quickly than expected, it might become appropriate to begin removing monetary policy accommodation sooner than they currently anticipated". Some participants also consider it appropriate "to call for a relatively prompt move toward reducing policy accommodation to avoid overshooting the Committee's unemployment and inflation objectives over the medium term". Should the labour market report for August and September both come in similarly positive as those of the past six months and the unemployment rate continue to fall, we consider it likely that the press release following the FOMC meeting after next in October could contain different wording regarding the direction towards an earlier interest rate hike or the number of participants voting against the current forward guidance will increase. The pressure towards higher yields will also begin to rise but what has thus far been true will continue to apply: without a sustainable alleviation of tension in Eastern Ukraine and the Middle East there will be no noticeable jump in yields at the long end.

Financial analyst: Jörg Angelé, CIIA

## Euro area

In the coming days, several economic surveys, consumer price development and labor market data are on the agenda of interesting data sets. The flash estimates for purchasing managers' indices (PMI) and consumer confidence have set the course for the majority of upcoming surveys. While PMI have weakened particularly in the manufacturing sector, also the survey among consumer conveyed another drop in sentiment. The period of weakness is likely to have continued for economic and industrial sentiment tracked by the EU Commission as well as for business confidence in Belgium, France and Italy. Moreover, the **German ifo Index** is likely to prolong its downward movement towards its long-term average (103.6 for the total index). Companies' business expectations will predominantly be responsible. We are also expecting consumer confidence in Italy to come in weaker, yet it remains well above the level recorded at the beginning of the year.

Among the flood of upcoming indicators, the flash estimates for **inflation** for individual countries and the euro area for August is likely to receive the most at-

tention. Just as in July the latest drop in the price of oil (in EUR -3.1% mom and -7.8% yoy) might have a dampening effect on headline inflation. The annual rate in the euro area is thus likely to stick between 0.3% and 0.4% in August. In Italy, annual inflation might reach negative territory, which has only been the case once since the introduction of the euro (in July 2009). While the strengthening of purchasing power due to low price pressures across the entire euro area is certainly positive, the development will continue to stoke fears of deflation. Upcoming **data for money and credit supply aggregates** will not be capable of dispelling these worries.

Although leading indicators are pointing to a return to (moderately) positive growth in Q3 in Germany as well as in the euro area, the latest trend in economic surveys is anything but uplifting. Hence, it is not surprising that from the data side little to nothing is currently able to counteract the sentiment on the **secondary market**, which continues to be strongly influenced by the various global political crises. With encouraging signals towards crisis solving remaining absent so far, the **yield on the 10y German benchmark bond** is likely to continue oscillating around the 1 % mark for the time being.

The **primary market** will see only Italy placing bonds in the coming days. Germany, France, Spain, Malta and Italy are all issuing money market paper. This Friday's rating calendar is empty.

Financial analyst: Eva Bauer, CIIA

### Debt issuance calendar

Issuer	Date	Maturity	Coupon (%)	Vol*	
<b>Bonds</b>					
IT	Thu,	28.	2019	-	3
	Thu,	28.	2024	-	2.5
<b>Bills</b>					
DE	Mon,	25.	12M	-	2
FR	Mon,	25.	3M, 5M, 12M	-	n.a.
ES	Tue,	26.	3M, 9M	-	n.a.
MT	Tue,	26.	3M	-	n.a.
IT	Wed,	27.	n.a.	-	n.a.

\* EUR bn  
Source: Bloomberg

### Overview government bonds

Yields 10Y					
	curr. <sup>1</sup> (%)	1W Δ (BP)	5Y H (%)	5Y L (%)	Ytd Δ (BP)
AT	1.25	2.6	3.88	1.22	-102.2
DE	0.99	3.4	3.49	0.95	-94.2
FR	1.38	4.2	3.78	1.34	-117.6
BE	1.36	1.8	5.86	1.34	-120.2
NL	1.17	3.4	3.75	1.14	-106.2
FI	1.16	2.2	3.71	1.14	-96.9
IE	1.88	-10.3	14.08	1.88	-163.1
IT	2.58	-0.3	7.26	2.58	-154.3
ES	2.39	-0.9	7.62	2.39	-175.9
PT	3.22	-28.7	17.39	3.22	-291.0
GR	5.78	-13.4	37.10	4.42	-265.7
GB	2.40	-4.6	4.23	1.44	-62.6
CH	0.47	2.2	2.16	0.39	-60.0
US	2.40	6.2	3.99	1.39	-62.7
JP	0.51	1.0	1.48	0.45	-22.8

<sup>1</sup> as of 22 August 2014, 08:53 a.m. CET  
Source: Bloomberg

### Forecast spreads<sup>1</sup> government bonds

	curr. <sup>2</sup>	Sep-14	Jun-15	Rec. <sup>3</sup>
FR10y/DE10y	40	30	20	Hold
AT10y/DE10y	27	25	15	Hold
IE10y/DE10y	91	80	50	Buy
IT10y/DE10y	160	110	80	Buy
ES10y/DE10y	141	100	60	Buy
PT10y/DE10y	224	170	140	Buy
GR10y/DE10y	481	n.a.	n.a.	n.a.
DE10y/DE2y	97	140	180	Sell

<sup>1</sup> Spread first bond segment versus second, in bp  
<sup>2</sup> As of 22 August 2014, 09:04 p.m. CET  
<sup>3</sup> Recommendation for an investment horizon of 1 to 4 months  
Source: Thomson Reuters, Raiffeisen RESEARCH

### Ratings

	Moody's	S&P	Fitch
Austria	Aaa (s)	AA+ (s)	AAA (s)
Germany	Aaa (s)	AAA (s)	AAA (s)
France	Aa1 (n)	AA (s)	AA+ (s)
Belgium	Aa3 (s)	AA (s)	AA (s)
Netherlands	Aaa (s)	AA+ (s)	AAA (s)
Finland	Aaa (s)	AAA (n)	AAA (s)
Ireland	Baa1 (s)	A- (p)	A- (s)
Italy	Baa2 (s)	BBB (n)	BBB+ (s)
Spain	Baa2 (p)	BBB (s)	BBB+ (s)
Portugal	Ba1 (s)	BB (s)	BB+ (p)
Greece	Caa1 (s)	B- (s)	B (s)
UK	Aa1 (s)	AAA (s)	AA+ (s)
Switzerland	Aaa (s)	AAA (s)	AAA (s)
USA	Aaa (s)	AA+ (s)	AAA (s)
Japan	Aa3 (s)	AA- (n)	A+ (n)

Outlook: p = positive, n = negative, s = stable  
Source: Bloomberg

## Performance indices

	-5D*	-5Y in %**
Euro STOXX 50	2.2	2.6
DJIA	1.9	12.4
DAX	1.9	11.5
S&P 500	1.9	14.2
STOXX Europe 50	1.8	4.7
MSCI World	1.8	10.0
Nasdaq Comp.	1.8	17.5
Nikkei	1.8	8.8
SMI	1.7	6.9
CECE Comp. (CE)	1.4	0.0
ATX	1.4	-1.4
FTSE	1.4	6.9
Hang Seng CE	-1.2	-0.9

\*\* performance from 14 August 2014 - 21 August 2014 (closing prices in each case), \*\* per year; Source: Thomson Reuters, Raiffeisen RESEARCH

## Performance sectors

	-5D*	-5Y in %**
IT	2.3	13.6
Industrials	2.2	12.1
Health Care	2.1	15.0
Energy	2.0	8.0
Utilities	1.9	2.0
Financials	1.9	5.6
MSCI World	1.8	10.0
Cons. Discretionary	1.7	16.3
Cons. Staples	1.2	11.7
Telecoms	1.1	7.1
Materials	0.8	4.5

\* weekly performance of global MSCI sector indices from 14 August 2014 - 21 August 2014 (closing prices in each case), \*\* per year; Source: Thomson Reuters, Raiffeisen RESEARCH

## Forecasts

	current <sup>1</sup>	Sep-14	Dec-14
Euro STOXX 50	3,105	3,170	3,250
DAX	9,353	9,550	9,800
ATX	2,298	2,350	2,450
SMI	8,555	8,600	8,900
FTSE	6,767	6,800	7,000
DJIA	17,039	17,000	17,300
S&P 500	1,992	1,990	2,030
Nasdaq Comp.	4,532	4,480	4,650
Nikkei	15,539	16,000	16,500
Hang Seng CE	11,059	10,800	11,200

<sup>1</sup> as of 22 August 2014, 12:00 p.m. CET  
Source: Bloomberg, Raiffeisen RESEARCH

## Recommendations (horizon: end of September)

**Stock markets:** Buy: ATX, DAX, Euro STOXX 50, NIKKEI 225  
Hold: FTSE, SMI, US equity indices

## Established equity markets

Global equity markets look to once again be on the path towards recovery. Given the number of geopolitical crises it seems as if investors are adapting to the situation as they did at the start of summer and there may be here and there hopes for de-escalation. Several indices therefore rose vehemently over the past two weeks. Most conspicuous are US indices, which were among those that lost the least in the latest drop; the Dow Jones is close to returning to its all-time high, the S&P 500 already reached new all-time highs and the NASDAQ Composite has reached its highest since March 2000 (!). At the same time oil and gold prices have both fallen markedly. Yields on government bonds remain the only thing that does not fit to the market's latest risk appetite. Nonetheless, they are indirectly supporting the market's demand for stocks. Dividend yields are now multiples of bond yields, financing costs for corporates continue to fall and profit potential is increasing. In the current environment, the (justified) hope for more stimulation in the global economy beyond the new year certainly speaks a great deal for stock investments.

One interesting detail in the overall strong earnings seasons on both sides of the Atlantic is worth reporting: at the moment it seems to be as if Europe's corporations have increased profits over Q2 2013 by more than eight percent while their American counterparts "only" saw profits rise by just shy of seven percent. This would thus be the first time in five (!) years where Europeans are ahead of the Americans. Is this a turnaround in the trend? Maybe not but it is most certainly a sign of life from an old continent plagued for some time by debt fears and weak growth. The influence of the earnings season will begin to draw down step-by-step over the coming weeks, though. Next week's agenda has, among others, quarterly results from Accor, Bouygues and Portugal Telecom on the agenda. In the USA the earnings season is as good as over.

Our recommendations at market level remain unchanged given the latest rise in prices. With an expectation of a trend towards continuing relaxation in tensions of the current geopolitical crises we currently see more recovery potential, especially in European stock indices.

Financial analyst: Helge Rechberger, CEFA

## Expected corporate releases

### USA

Tue, 26 Analog Devices, Best Buy  
Wed, 27 Brown-Forman, Tiffany

### Europe

Tue, 26 Accor, Vienna Insurance  
Thu, 28 Baloise, Essilor, Ems-Chemie, Bouygues, Pernod Ricard, Veolia Environment, Vivendi  
Fri, 29 Portugal Telecom, Hermes

Source: Bloomberg, Raiffeisen RESEARCH

## Risk notifications and explanations

### Warnings

- Figures on performance refer to the past. Past performance is not a reliable indicator of the future results and development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for the future results and development of a financial instrument, a financial index or a securities service.

Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of financial analysis) can be found at: [www.raiffeisenresearch.at/sensitivityanalysis](http://www.raiffeisenresearch.at/sensitivityanalysis)

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### Government bonds

#### Outright: Recommendation history (1-4 months horizon)

Issuer	DE		US	
	2y	10y	2y	10y
Maturity segment				
18/07/2014	Hold	Sell	Hold	Sell
23/07/2014				
25/07/2014				
01/08/2014				
04/08/2014				
06/08/2014				
08/08/2014				
14/08/2014			Sell	
22/08/2014			Sell	

#### Spread: Recommendation history (1-4 months horizon)

Issuer	AT-DE	FR-DE	IT-DE	ES-DE	IE-DE	PT-DE	DE-DE
	10y-10y	10y-10y	10y-10y	10y-10y	10y-10y	10y-10y	10-2y
Maturity segment							
18/07/2014	Hold	Hold	Buy	Buy	Buy	Buy	Sell
23/07/2014							
25/07/2014							
01/08/2014							
04/08/2014							
06/08/2014							
08/08/2014							
14/08/2014							
22/08/2014							

## Equity market indices

Financial instruments	Date of the first publication
Euro STOXX 50	26/02/1998
DAX 30	01/04/1993
FTSE 100	01/04/1993
SMI	01/04/1993
S&P 500	01/04/1993
Nasdaq Comp.	01/07/1998
DJIA	01/04/1993
Nikkei 225	01/04/1993
HSCEI	01/01/2007

### Recommendation history (1-4 months horizon)

Date	ATX	Euro STOXX 50	DAX 30	FTSE 100	SMI	S&P 500	Nasdaq Comp.	DJIA	Nikkei 225	HSCEI
22/03/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Sell	Buy
10/05/2013	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	I
07/06/2013	I	I	I	I	I	I	I	I	Buy	I
20/06/2013	I	I	I	I	I	I	I	I	Buy	I
08/08/2013	I	I	I	I	I	I	I	I	I	I
13/08/2013	Sell	I	I	I	I	I	I	I	I	I
13/09/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I	I
07/11/2013	I	I	I	I	I	I	I	I	I	I
08/11/2013	Hold	Hold	Hold	Hold	Hold	Hold	Hold	Hold	I	I
15/11/2013	I	I	I	I	I	I	I	I	Hold	I
13/12/2013	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I
20/12/2013	I	I	I	I	Hold	I	I	Hold	Hold	I
17/01/2014	Hold	Hold	Hold	Hold	I	Hold	Hold	I	I	I
14/02/2014	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	Buy	I
19/03/2014	I	I	I	Hold	I	Hold	I	Hold	I	I
18/04/2014	I	I	I	I	I	Buy	I	I	I	I
02/05/2014	Hold	Hold	Hold	I	Hold	Hold	I	I	I	I
16/05/2014	Buy	I	I	I	I	I	I	I	I	I
20/06/2014	I	Buy	Buy	I	I	I	Hold	I	I	I

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